Key Highlights of Draft GST Rules

CBEC has recently issued 5 set of Draft rules on Registration, Invoice,

Payment, Refund, and Return. These 5 set of rules has been approved by GST Council on its 2nd meeting held on 30th September 2016.

**Key Highlights of these rules are as follows:**

**Draft Rules on Registration:**

a. Part A of the new form (GST REG-01) seeks to verify PAN through Income Tax Portal and mobile number & Email id through OTP, even before applying for registration.

b. Application for registration is to be made online either directly on the GSTN Portal or through Facilitation Centres (these will be notified separately).

c. In aggregate, 26 forms have been floated (GST REG-01 to GST REG-26).

Some important forms are as follows:

* GST REG-01: Application for Registration in General case.
* GST REG-07: Application for Registration as Tax Deductor/ Collector.
* GST REG-10: Application for Registration for Non Resident taxable person.
* GST REG-06: Grant of Registration Certificate.
* GST REG-09: Application for Allotment of Unique ID to UN Bodies/Embassies etc.
* GST REG-11 & 12: Application for Amendments & Amendment order respectively.
* GST REG-13: Allotment of Temporary Registration (In case an unregistered person detected by officer)
* GST REG-14 to GST REG-19: Cancellation of Registration: Application, SCN, Order, And Revocation.
* GST REG- 20 to 23: Existing Taxpayer; Enrollment, Provisional RC etc.
* In case of Casual taxpayers & Non-resident taxpayers, Application seeks details of estimated GST liability - IGST , CGST, SGST and Period of registration.
* No fee is payable for filing application for registration.
* Assignment of unique identity number to certain special entities like UN Bodies, Embassies etc.
* Registration shall be effective from the date on which the person becomes liable to registration where application has been submitted within 30 days from such date.
* In other cases, the effective date of registration will be the date of Grant of registration.
* In case of Voluntary Registration, it cannot be cancelled before expiry of a period of one year from the effective date of registration.
* All applications, returns, appeals etc shall be filled electronically at Common Portal with Digital Signature/ E-Signature/ Other notified mode.

**Draft Rules on Invoice:**

a. Particulars for a valid tax Invoice has been prescribed for supply of Goods and/or Services.

b. In case of Exports, the Invoice shall carry an Endorsement “Supply meant for Export

on Payment of IGST” or “Supply meant for export under Bond without payment of IGST”.

c. There’s a 30-day time limit for raising invoice from the date of supply of services but no time limit provided for supply of goods. Further the same limit is 45 days in case of banking company/financial institutions.

d. In case of supply of goods, the Invoice shall be prepared in Triplicate:

* Original Copy: For Recipient;
* Duplicate Copy: For Transporter;
* Triplicate Copy: For Supplier.

However Duplicate copy is not required in case supplier has obtained Invoice Reference Number.

e. In case of supply of services, the Invoice shall be prepared in Duplicate:

* Original Copy: For Recipient;
* Duplicate Copy: For Supplier.

f. The draft format for obtaining Invoice Reference Number has been provided (Form GST INV-1 needs to be filled electronically).

g. Bill of Supply will be issued by suppliers when non-taxable goods or services are supplied or by supplies under Composition Scheme.

h. Particulars (Some essential details to be mentioned) in case of Bill of Supply, Supplementary Tax Invoice, Credit or Debit Notes has been prescribed.

i. Particulars (Some essential details to be mentioned) for Tax Invoice issued by Input service Distributor has been prescribed.

**Draft Rules on Payment:**

a. There will be following different registered to be maintained

electronically:

* Electronic Tax Liability Register (form GST PMT-1);
* Electronic Credit Ledger (form GST PMT-2);
* Electronic Cash Ledger (form GST PMT-3).

b. All amounts payable by a taxable person will be debited to his Electronic Tax Liability Register.

c. Payment of every such liability shall be made by “debiting the Electronic Credit Ledger & Electronic Cash Ledger” and accordingly Electronic Tax Liability Register shall be credited with the same amount.

d. Every Claim of Input Tax Credit under the Act shall be credited to the Electronic Credit Ledger.

e. Every amount deposited by the person through different payment mode shall be credited to the Electronic Cash Ledger.

f. Tax can be paid through net banking, credit or debit card, NEFT/RTGS, Over the Counter (OTC). However in case of OTC Payment by cash/cheque/DD the upper limit is RS.10000 per challan per tax period.

g. Any payment required to be made by an unregistered person shall be made through temporary identification number and details of such payment shall be recorded in a Form GST PMT-5 Register.

h. Generation of unique ID for every transaction – to be correlated with Tax Liability Register.

**Draft Rules on Refund:**

* Refund can be claimed by filling an application in FORM “GST RFD-1”.
* Claim of Refund relating to balance in electronic cash ledger may be through the Returns of relevant tax period in FORM GSTR-3, GSTR-4 or FORM GSTR-7.
* Some prescribed documentary evidences shall be accompanied along with application for refund.
* Some formula has been prescribed for calculating Amount of Refund of “Input tax credit” in case of Export without payment of Tax under bond/letter of undertaking.
* An acknowledgement in Form “GST RFD-2” will be made available to the applicant of refund claim in case the application is found to be complete.
* In case of any deficiency, the same will be communicated to the applicant in Form “GST RFD-3”
* Some conditions has been prescribed for claim of provisional refund of 80% (In case of Claim of refund on account of export of goods and/or services made by such Notified Category of reg taxable person). The said Refund order will be made in Form “GST RFD-4”.
* Form “GST RFD-5” has been prescribed for Order sanctioning/ Rejecting Refund claim.
* In case of rejection of refund claim, an SCN will be provided in Form “GST RFD- 7”.
* Payment Advice for Sanction of refund claim will be made in Form “GST RFD-8”.
* In case of delay payment of Refund beyond 90 days from the day of submission of claim, Interest will be paid to the applicant. Order and Payment advice for such interest payment will be made in Form “GST RFD-9”

**Draft Rules on Returns:**

* A total of 27 forms has been prescribed under Draft GST Return Rules. Monthly submission of returns has been mandated in case of normal assesses.
* Sections 25 of Model GST law mandates submission of details of outward supplies by every registered taxable person, which will be communicated to the corresponding recipient of goods and/or services.
* Form “GSTR-1” has been prescribed for furnishing such details of outward supply. The details furnished will be auto populated in “Form GSTR-2A”.
* Form “GSTR2” has been prescribed for furnishing details of Inward supply on the basis of details auto populated in Form GSTR-2A.
* The details of Inward supplies added, corrected or deleted by the recipient in his Form GSTR-2 shall be made available to the Supplier in Form GSTR-1A.
* Thereafter such supplier may either accept or reject the modifications made by the recipient.
* Form “GSTR-3” has been prescribed for submission of final Monthly Return. Part A of this Form will be auto populated on the basis of information furnished earlier through returns in Form GSTR-1, GSTR-2 etc.
* In case of Composition Supplier, Form “GSTR-4” has been prescribed for submission of returns quarterly.
* Form “GSTR-5” has been prescribed for submission of returns by Non-Resident taxable person.
* Form “GSTR-6” has been prescribed for submission of returns by an ISD i.e. Input service distributor.
* Form “GSTR-7” has been prescribed for submission of returns by a person required to deduct tax at source.
* Form “GSTR-8” has been prescribed for submission of statement by an Ecommerce operator required to collect TCS.
* The details of Invoices furnished by ISD, Tax Deductor or collector will be auto populated in “Form GSTR-2A”

**Provision for Matching of claim of Input tax credit:**

a. As per section 29 of Model GST Law, after submission of monthly return, the details of every inward supply be matched with corresponding details of outward supply.

b. Following details will be matched:

a. GSTIN of the supplier

b. GSTIN of the recipient

c. Invoice Date / Debit note date

d. Invoice Number / Debit note number

e. Taxable value

f. Tax Amount

c. Any discrepancy will be communicated to both the supplier and recipients and in case the same is not rectified, amount to the extent of discrepancy will be added to the output tax liability of the recipient.

**Provision for Matching of claim of Input tax credit:**

a. As per section 29A of Model GST Law, after submission of monthly return, the details of every credit note relating to outward supply be matched with corresponding reduction in the claim for input tax credit.

**b. Following details will be matched:**

a. GSTIN of the supplier

b. GSTIN of the recipient

c. Credit note date

d. Credit note number

e. Taxable value

f. Tax Amount

c. Any discrepancy will be communicated to both the supplier and recipients and in case the same is not rectified, amount to the extent of discrepancy will be added to the output tax liability of the supplier.

**Annual Return**: Form “GSTR-9” has been prescribed for furnishing of Annual return by every registered taxable person. However in case of composition supplier, Form “GSTR-9A” has been prescribed.

**Provision for Audit of accounts**: Every registered taxable person whose aggregate turnover during a financial year exceeds Rs.1 Crore shall get his accounts audited by a Chartered Accountant or Cost Accountant. Form “GSTR-9B” has been prescribed for furnishing audited annual accounts and reconciliation statement.

**Final Return:** It needs to be furnished in case of Cancellation of registration within 3 month of date of cancellation or date of cancellation order whichever is later. Form“GSTR-10” has been prescribed for the same.

**Provisions relating to Tax Return Preparer (TRP):**

a. As per sec 34 of model GST Law, a registered taxable person may authorize an approved TRP to furnish various returns.

b. An application in Form “GST TRP-1” may be made for enrolment as TRP by specified persons.

c. Certificate will be issued in Form “GST TRP-2” for enrolment as TRP.

(Disclaimer: This write up is based on the understanding and interpretation of author and the same is not intended to be a professional advice.)

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